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No. 86-441

In The
Supreme Court of the United States
October Term, 1986

CHICAGO SYSTEMS SOFTWARE, and BRIAN BRAZDA, an individual, and JAMES M. DAVEY, an individual, d/b/a CHICAGO SYSTEMS SOFTWARE,

Petitioners,

v.

EVANS NEWTON, INCORPORATED,

Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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Petitioners,

v.

EVANS NEWTON, INCORPORATED,

Respondent.

RESPONDENT, Evans Newton, Incorporated opposes Petitioners' request that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in this proceeding on June 18, 1986, affirming in part and reversing in part the judgment of the United States District Court for the Northern District of Illinois.

STATEMENT OF THE CASE

Respondent contends that the Petition for the Writ of Certiorari is based upon certain factual disputes which

have been resolved against Petitioner and do not warrant review by this Court. Pursuant to Rule 34.2, Respondent submits that the following facts should have been included in Petitioner's statement of the case, and such facts illustrate why the Petition should not be granted.[1]

Evans Newton, Incorporated (ENI) was incorporated in 1973 for the purpose of providing record keeping systems to educational institutions throughout the country. During 1978, in order to adapt its educational instructional program to programmable calculators, ENI developed calculator managed and assisted programs for use with a calculator manufactured by Victor Business Products. These programs were designed and prepared by ENI's president, Lloyd Ferguson, and performed various record keeping functions including student numbering, student progress, class information and scores, and the production of reports on the same topics. This automated record keeping system, developed by ENI in 1978, included specialized terminology and concepts devised by Lloyd Ferguson (F:5).

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[1] Respondent will use the same abbreviations as used in the Petition:

A: Appendix to Petition for Writ of Certiorari.

F: Finding of Fact of the District Court, Judgment of September 11, 1984, as amended by the Court's Order of October 29, 1984.

CL: Conclusion of Law of the District Court, Judgment of September 11, 1984, as amended by the Court's Order of October 29, 1984.

Dep: Deposition transcript of the page indicated.

Tr: Trial transcript.

Lloyd Ferguson, the president and chief executive officer of ENI, graduated from the University of Michigan, school of education with a major in secondary education, he was a high school teacher for four years, and then obtained a master's degree in education at Salem State College. He later obtained a master's degree in public administration from the University of Michigan. Mr. Ferguson was employed by Arthur D. Little & Co. in 1967, as Director of Educational Technology, analyzing and evaluating computer use in education (Tr: 24-25). In 1973, he wrote a series of how-to books, describing a system he had devised for a manual management and record keeping system which could be utilized to keep records on a student's progress. The books have been continually offered for sale by ENI (Tr: 27-29).

Brian Brazda had no prior experience as a high school teacher and had no experience designing educational programs (Tr: 533). James Davey received a Bachelor of Science in computer science in 1970 from the Illinois Institute of Technology and had likewise done no programming in the educational field, nor had he ever published any papers or books in the field of programming or in the field of primary or secondary education. During the four years prior to forming Chicago Systems Software with Mr. Brazda, Mr. Davey was employed as a professional table tennis player (Tr: 627-8; 675).

When low cost programmable microcomputers made their entry into the market place in early 1979, Mr. Ferguson began to adapt the ENI management program to be operational on these new computers for performing and achieving basic accountability in school instructional curriculum and for performing the various functions, includ-

ing preparation of progress reports, grouping reports, teacher-class reports and related materials (F:6).

Using the framework of the automated record keeping system he had developed, including specialized terminology and functions, Mr. Ferguson designed a computer managed instructional program for a computer made by a company called Commodore.

Before hiring Chicago Systems Software (CSS) to provide the computer coding necessary to operate the ENI computer managed instructional program on the Commodore computer, Mr. Ferguson prepared bid guidelines with programming specifications, including flow diagrams; prepared numbering and coding systems, developed sample printouts and reports incorporating all of the concepts developed by ENI for computer managed instruction (F:7; Plaintiffs' trial exhibit 31). The bid guidelines included overall specifications, precise terms to be used in the program, including subparts dealing with what the machine was to do, and an explanation of the various subprograms. The bid guidelines also included a list of each function of the subprograms, the operational program and a flow diagram showing how all of the pieces flowed together. It included a numbering system, a coding system for the data, a breakdown of each programming subprogram in understandable terminology and sample printout showing how the output reports and student test results should look (Tr: 41-3; Plaintiffs' exhibit 31).

The bid guidelines submitted to CSS also included a statement of ENI's ownership and rights to the information contained in those guidelines. After CSS had ac-

cepted the contract on June 21, 1979, Mr. Ferguson wrote to Mr. Brazda, setting forth the "terms of this commitment" including the following: "The ENI copyright of this program is fully recognized by Chicago Software Systems" (F:10). Mr. Brazda also signed a copyright statement on behalf of CSS which specifically agreed that "all micro computer programming done by Chicago Systems Software . . . for Evans Newton, Incorporated . . . is the exclusive property of ENI. . . ." (F11). ENI required receipt of the copyright statement before CSS was authorized to begin work (Tr: 59).

The program was considered operational as of April 1, 1980, and was named "Project Basic" and marketed by ENI throughout the United States. ENI prepared a Project Basic operator's manual (Tr: 69-70), and on June 13, 1980, applied for and received registration of the manual by certificate of copyright registration numbered TXU-46154 (F:13). The registration stated that the manual was a "work made for hire" and a proper copyright notice was printed on the ENI manual (F:13).

The District Court found that "material portions of the Defendant's manual had substantial similarity to Plaintiffs' manual. Material portions of the Defendant's computerized classroom management software program have the similarity in both form and function to material portions of the Plaintiffs' program. This violated the agreements between the parties . . . and also violated Plaintiffs' copyright . . . ." (F:16). ENI's Project Basic program includes both the computer software and the published users manual. The two components have no significant value independent of one another (F:18). No competitive programs other than those marketed by ENI and

CSS were shown to have existed between the period of June 1980 to June 1982 (F:21).

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SUMMARY OF ARGUMENT IN OPPOSITION TO GRANTING THE WRIT

1. The Petition seeks review of certain factual determinations by the District Court and affirmed by the Seventh Circuit Court of Appeals and fails to establish any special and important reasons for granting the writ.

2. The District Court and the Seventh Circuit Court of Appeals correctly found that the work done by CSS was a "work made for hire" and properly found that ENI was the author of such works.

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REASONS FOR DENYING THE WRIT

1. The Seventh Circuit correctly applied the doctrine of "work made for hire".

The issues presented below do not turn upon the labels applied to the relationship between the parties. Instead, the decision of the District Court, affirmed by Seventh Circuit Court of Appeals, that ENI was the author of the work, is based upon an analysis of the relationship between ENI and CSS, and upon certain facts which were fatal to the claims of CSS that it was a co-author. Petitioners have overstated the decision by the Seventh Circuit Court of Appeals and have failed to demonstrate the special and important reasons why this Court should grant review on certiorari, pursuant to U.S. Supreme Court Rule 17.1, 28 U.S.C.A.

The Seventh Circuit relied upon the decision of the Second Circuit in *Aldon Accessories v. Spiegal,* 738 F.2d 548 (2nd Cir.), cert denied — U.S. — (1984). The Seventh Circuit agreed with the Second Circuit's analysis in *Aldon* that nothing in the 1976 Copyright Act or its legislative history indicated that the Congress had intended to ignore or supplant prior law (the 1909 Copyright Act and cases construing it) which held that "if an employer supervised and directed the work, an employer-employee relationship could be found even though the employee was not a regular or formal employee". *Id.* at 551-553.

The Court in *Aldon* noted that under the 1909 act subsequent decisions, an employer-employee relationship could be established, even when the employee was not regularly or formally employed, where the employer supervised and directed the work. The 1976 Act did not define the terms "employee" and "scope of employment" and the Second Circuit found that this suggested "that it is necessary to look at the general law of agency as applied by prior copyright cases in applying subdivision (1) of the 1976 Act. See 1 M. Nimmer, Nimmer on Copyright Section 503(b)(1) at 5-12 to 5-13 (1983). The Second Circuit also noted that the legislative history of the new act "adopts one of the basic principles of the present law: that in the case of works made for hire the employer is considered the author of the work". H.R. Rep. No. 1476, 94th Congress Second Session 121, reprinted in 1976 U.S. Code Cong. and Ad. News 5659, 5736. The Second Circuit went on note:

> "Had Congress intended, as apparently argued by *Spiegel,* to narrow the type of employment relationships within the work for hire doctrine to include only 'regular' employees, it is unlikely that there would

have been no discussion of this change in the legislative history." 738 F.2d at 552.

Petitioner's essential argument is that there were no findings of "supervision or direction by ENI" and Petitioner must therefore have been an "independent contractor" rather than an "employee". This argument, however, places form at lofty heights above substance.

It is only necessary to look at the nature of the work performed by CSS to decide that CSS fits within the intent of the Copyright Act of 1976, §§ 101 and 201B. The record is replete with evidence that CSS was not the "author" of the work, but rather a mere "employee" hired to translate the work into lines of computer code. Mr. Ferguson's extensive educational background, his development of computer managed instructional programs, his creation of the system bid guideline, his development of specific terms and features of the system, and his completely detailed description of the program, subroutines, term and related matters, clearly constitute the kind of direct creative input necessary to grant appropriate protection to ENI under its copyright.

Contrary to the position of CSS, it was not necessary for Mr. Ferguson to stand over the shoulders of Mr. Brazda and Mr. Davey, instructing them how to create lines of code which would translate ENI's work so that it could be operated on a particular model computer. All of the creative works had been performed by Mr. Ferguson, an educator with vast experience in applying computers to education. By contrast, neither Mr. Brazda nor Mr. Davey had the type of educational background or experience which would suggest that they were capable of producing such work, nor did they contend that they did anything more

than apply their programming expertise to the specifications and program written and designed by Mr. Ferguson of ENI.

An analogy can be found in *Aldon, supra.* In that case there was evidence that Ginsberg, who claimed to be the creator of the work, did more than simply commission a general work:

> "There was evidence that Ginsberg actively supervised and directed the creation of both the procelain and brass statuettes. While he did not physically wield the sketching pen and sculpting tools, he stood over the artists and artisans at critical stages of the process, telling them exactly what to do. He was, in a very real sense, the artistic creator." 738 F.2d at 553.

Here, Mr. Ferguson did all of the creative work, authored all of the critical aspects of the program and the bid guidelines he provided instructed CSS, "exactly what to do". ENI produced sufficient evidence to establish its claim, and there is no basis for this Court to grant the Petition.

Moreover, application "work for hire" doctrine requires the presumption that, in the absence of an express contractual reservation of a copyright in the *artist*, the mutual intent of the parties is that the copyright shall be owned by the employer, *May v. Morganelli-Heumann & Assoc.*, 618 F.2d 1363 (9th Cir., 1980) and *Lin-Brook Hardware v. Gertler*, 352 F.2d 298 (9th Cir., 1965) and *Yardley v. Houghten Mifflin Co.*, 108 F.2d 28 (2nd Cir., 1939), cert. denied 309 U.S. 686 (1940). One might well expect that an individual claiming to the creator or co-author of a work would attempt in some way to reserve some rights in that regard. It is undisputed, however, that ENI insisted, at every turn, that CSS, Mr. Brazda and Mr. Davey acknowl-

edge ENI's right to the work. Where, as here, the writings of the parties evidence a clear intent that the employer shall retain all ownership rights, the employer is considered the "author" within the meaning of 17 U.S. Code § 4 and 17 U.S. Code § 26, and it is not necessary to resort to presumptions, inferences or in direct evidence. The District Court correctly determined this issue and the Seventh Circuit correctly affirmed that decision.

Another element which can be considered in resolving this issue is whether the work was created at the employer's insistence and expense, or whether the motivating factor in producing the work was the employer who induced its creation. *Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909 (2nd Cir., 1974). Moreover, even where the employer does not oversee the detailed activity of the employee hired for the very purpose of producing the material, the copyright still is vested with the employer. *Yardley v. Houghten Mifflin Co., supra; Murray v. Gelderman*, 566 F.2d 1307 (5th Cir., 1978).

Petitioner takes the position that since they were "independent contractors" and Mr. Ferguson did not actively supervise the production of lines of code necessary to operate the ENI work on a particular model of computer, then they necessarily cannot be "employees". As the Seventh Circuit properly noted, however, the issue does not turn on the label applied to the relationship, but rather on the participation by the commissioning employer in the production of the final creative work. There is absolutely no doubt that the creative work performed by Mr. Ferguson at ENI, protected under ENI's copyright, and acknowledged by CSS, are classic evidence of authorship and creativity which should be granted copyright protection.

Although CSS claimed to have a pre-existing system, it completely failed to demonstrate that it incorporated any of its own, independently created work within the ENI material, nor that CSS, Brazda or Davey *at any time* contested ENI's claim of exclusive ownership.

It is respectfully submitted that Petitioners' argument that the Seventh Circuit "improperly expands the 'work for hire' doctrine and subverts the intent of Congress in enacting the Copyright Act of 1976" is nothing more than an exaggeration of the straightforward factual issues in this case which were correctly resolved against the Petitioners. The invocation of the "work for hire" doctrine and the term "independent contractor" do not end the analysis of the relationship between the parties nor the analysis of the creative imputus which gave rise to the work. It is respectfully submitted that CSS has failed to establish the type of question which would justify this Court granting the Writ of Certiorari. The activities of CSS were a mere translation of the work created by ENI. The facts demonstrate a classic example of a traditional "employer-employee" relationship and neither the distance between Scottsdale, Arizona and Chicago, Illinois, nor Mr. Ferguson's failure to actually write the lines of computer code himself is sufficient to defeat ENI's claims.

2. The Seventh Circuit made no findings of fact contrary to Rule 52(a), Federal Rules of Civil Procedure.

As previously discussed, Petitioner contends that the Seventh Circuit found that ENI "supervised and directed" CSS and that such a finding was "the linchpin" to the Seventh Circuit's conclusion that the copyrighted work was a "work made for hire." Petitioner also maintains that the Seventh Circuit concluded that the record con-

tained "sufficient support" for the District Court's award of $16,000.00 in damages, while indicating that the District Court had not made clear whether the damages were actual or statutory.

Respondent would first submit that the latter argument does not establish the type of special and important reasons for this Court to consider granting the Petition. With respect to the allegation that the Seventh Circuit made a "finding" of supervision and direction which was not supported by the record, Respondent respectfully submits that Petitioner has misstated the facts. The critical issue is the nature and degree of control exercised by the employer and the amount of creative input and control. In this case, CSS did not create a new work, did not sell its own work, but merely translated ENI's work into lines of computer code for a specific model computer.

It is undisputed, as previously discussed, that all of the creative work involved in developing the ENI computer managed instructional program was done by ENI *before* it employed CSS to prepare lines of computer coding. The words "supervision and control" appearing in the Seventh Circuit's decision do not, as petitioners argue, constitute a finding that ENI physically supervised the computer coding done by CSS. Respondent respectfully submits that the factual issue resolved in favor of ENI by both the District Court and the Seventh Circuit Court of Appeals, was that ENI exercised sufficient creative input and control over the creation of the work to properly be considered the "author" and to be entitled to judgment against the Petitioners.

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CONCLUSION

ENI respectfully submits that it has successfully established ownership in the copyrighted material that was properly awarded damages for the Defendant's wrongful action. No substantial issue has been raised requiring this Court to grant the Writ of Certiorari and Respondent respectfully requests that the Petition be denied.

DATED this 23rd day of October, 1986.

Respectfully submitted,

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